

Message Text

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PAGE 01 ALGIER 03199 291644Z

54

ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 ERDA-05 AID-05 CEA-01 CIAE-00

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E.O. 11652: N/A

TAGS: ENRG, AG, US

SUBJECT: EL PASO/SONATRACH NATURAL GAS CONTRACT

1. SUMMARY: ON OCT. 29 EL PASO GAS AND SONATRACH SIGNED SECOND CONTRACT FOR DELIVERY OF 1 BILLION CUBIC FEET PER DAY OF NATURAL GAS TO US. ACCORDING SONATRACH, HOWEVER, IF EUROPEAN CONSORTIUM SAGAPE SUCCEEDS IN FINALIZING LNG CONTRACT PRIOR FPC APPROVAL OF EL PASO II, SAGAPE WOULD OBTAIN GAS FROM NEW LNG FACILITY RATHER THAN EL PASO. END SUMMARY.

2. ACCORDING ALGERIAN PRESS SERVICE, MAJOR LNG CONTRACT SIGNED OCT. 28 BETWEEN EL PASO-ALGERIA CORPORATION AND SONATRACH. CONTRACT REPORTEDLY CALLS FOR DELIVERY OF 1 BILLION CUBIC FEET PER DAY OF GAS TO US WITH DELIVERIES TO BEGIN IN 1981 AND TO CONTINUE OVER 20 YEARS. ALGERIAN NATIONAL NAVIGATION COMPANY (CNAN) WILL REPORTEDLY PARTICIPATE IN TRANSPORTATION OF THE GAS TO THE US BY SUPPLYING FOUR 125,000 CUBIC METER METHANE TANKERS.

3. SLIMANE BOUGUERRA, DIRECTOR OF EXTERNAL MARKETING IN SONATRACH'S COMMERCIALIZATION DIVISION, CONFIRMED
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PAGE 02 ALGIER 03199 291644Z

TO EMBOFF SIGNATURE OF CONTRACT (AND ADDED HE HAD

WRITTEN APS DISPATCH HIMSELF). OCT. 28 CONTRACT, HE EXPLAINED, REPLACES ONE SIGNED WITH EL PASO IN JAN. 1971 AND CANCELLED BY SONATRACH ON JAN. 3, 1974. THVXIGSWK G A WHNYUSYSIWN#AS EL PASO II) APPLIES TO QUANTITIES OF GAS IN ADDITION TO THOSE WHICH EL PASO WILL RECEIVE UNDER TERMS OF EL PASO I CONTRACT.

4. ACCORDING BOUGUERRA, EL PASO II BASE PRICE WILL BE \$1.30 PER MMBTU AND PRICE WILL BE INDEXED ON US PRICE OF NO. 2 AND NO. 6 OIL. \$1.30 WILL ALSO BE FLOOR PRICE. ASKED WHETHER FINANCING HAD BEEN OBTAINED FOR NECESSARY NEW LNG FACILITY TO SUPPLY EL PASO II, BOUGUERRA SAID THAT CONTRACT CONTAINED CLAUSE STATING THAT EXECUTION WAS CONDITIONAL ON OBTAINING OF FINANCING BY THE SELLER. ADDED THAT SONATRACH HAD COME TO BELIEVE THAT IT COULD OBTAIN FINANCING FOR NEW LNG PLANTS FASTER THAN POTENTIAL BUYERS. BOUGUERRA FURTHER SAID THAT SONATRACH FINANCING PLANS NOW BASED ON LOCATING NECESSARY FUNDS FOR LNG PLANTS THROUGH CONSTRUCTION COMPANIES WHICH WON CONTRACTS FOR LNG PLANTS RATHER THAN LNG BUYERS AS IN PAST.

5. BOUGUERRA ALSO SAID THAT SONATRACH HAD MADE DECISION TO BUILD A NEW LNG PLANT "AS SOON AS NEXT YEAR." THIS NEW LNG FACILITY WOULD EITHER SUPPLY GAS TO US CUSTOMERS INCLUDING EL PASO AND PANDHANDLE OR TO EUROPEAN CUSTOMERS THROUGH SAGAPE. DECISION ON WHICH AREA OBTAINED GAS WAS ENTIRELY DEPENDENT ON WHETHER US OR EUROPEAN CONTRACTS WERE FIRST TO BE APPROVED, I.E. WHETHER SAGAPE COULD FINALIZE CONTRACT BEFORE FPC APPROVAL OBTAINED FOR US CONTRACTS. GAS SUPPLIES FROM NEW LNG PLANT, BOUGUERRA STRESSED, WOULD BE ON FIRST-COME, FIRST-SERVED BASIS. PARKER

NOTE BY OCT: #TEXT AS RECEIVED.

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